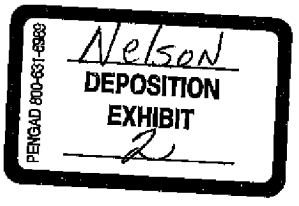
Exhibit 2

ATTACHMENT B



UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF RECLAMATION
Kansas-Bostwick Irrigation District No. 2
Franklin, Superior-Courtland and Courtland Units
Bostwick Division
Pick-Sloan Missouri Basin Program, Kansas

"DISTRICT OPERATING PLAN"

This "District Operating Plan" hereinafter referred to as "Plan" is made for the purpose of providing a means to implement the contractual commitment made by the District to the United States concerning the operation of the District and the performance of certain water conservation and environmental activities which are part of the consideration for a 40 year repayment term. The District hereby agrees to honor the commitments in this Plan. The parties shall annually, or as otherwise agreed, review the Plan and may, by mutual agreement of the parties, modify and amend the operating criteria of the initial Plan necessary to achieve the District's commitments, Provided, That the District's commitments shall not be diminished or eliminated.

BACKGROUND:

The Bostwick Division is located in south-central Nebraska and north-central Kansas along the Republican River and the White Rock Creek. The Bostwick Division consists of the Franklin, Superior-Courtland, and Courtland Units. The Franklin and Superior-Courtland Units consists of Harlan County Dam and Lake, Superior-Courtland Diversion Dam, and a system of canals, laterals, and drains that currently serves 36,313 acres of project lands. The Courtland Unit consists of Lovewell Dam and Reservoir, and a system of canals, laterals, and drains that currently serves 29,122 acres of project lands. In addition to storing water for irrigation, the three units protect the downstream areas from floods and offer opportunities for recreation and for conservation and development of fish and wildlife.

Due to a depleting water supply, the District, in cooperation with the Bostwick Irrigation District in Nebraska, is willing to limit its irrigation deliveries in order to maintain higher reservoir levels and undertake water conservation measures to improve the efficiency of

the project delivery system and encourage on-farm efficiency improvement.

IRRIGATION DELIVERIES:

It is understood that from time to time the United States shall accomplish sediment re-surveys of the reservoirs which shall change the area-capacity data and the elevation-capacity relationship. It is further understood that when the data is officially revised and placed into use it shall be used in the calculation for the shutoff elevations. In the event the re-survey necessitates changes in reservoir elevations for flood control and irrigation this Plan shall be revised to incorporate those changes.

The available water supply to the District shall be flows of the Republican River, White Rock Creek, storage waters in Lovewell Reservoir above the established shutoff elevation, and the District's apportionment of storage waters available for release above the annually established reservoir shutoff elevation for Harlan County Lake as computed by the Contracting Officer.

The amount of irrigation water released during any one irrigation season from Harlan County Lake and Lovewell Reservoir shall be determined by the Contracting Officer in consultation with the District, based on the following:

1. By January 15 of each year, the United States shall provide the District and the Bostwick Irrigation District in Nebraska an estimate of the reservoir shutoff elevation, and the water supply available for the irrigation season. By June 15 of each year, the actual reservoir shutoff elevations shall be established. The following process will be used:

   A. The space available for irrigation use in Harlan County Lake has been established as 150,000 acre-feet between elevations 1945.7 and 1931.75. The current contents are 311,104 acre-feet (El. 1945.7) and 159,674 acre-feet (El. 1931.75) which establishes the current irrigation space as 150,000 acre-feet after a sediment adjustment of 1,430 acre-feet in this pool. In addition irrigation is allowed to use up to 20,000 acre-feet from the sediment pool to adjust for annual evaporation loss that is allocated to sediment storage provided irrigation releases are less than 119,000 acre-feet. The space available for irrigation use in Lovewell Reservoir is established as the space available between elevations 1582.6 and 1571.7.

The current contents are 35,666 acre-feet (El. 1582.6) and 11,644 acre-feet (El. 1571.7) which establishes the current irrigation space as 24,022 acre-feet.

B. The annual shutoff elevation for Harlan County Lake shall be estimated by January 15 of each year. By June 15 of each year the actual shutoff elevation shall be established using May 31 data as follows:

For January estimate:

1. Estimate the May 31 content by taking the December 31 total reservoir storage plus the January-May inflow estimate (57,600 acre-feet or the running average inflow for the last 5-year period, whichever is less) minus the January-May evaporation estimate (8,800 acre-feet). The value determined is the estimated reservoir content projected for May 31.

2. Establish the percentage of estimated water yield available in the irrigation pool using the 20,000 acre-feet adjustment for evaporation and this equation:

$$\frac{(\text{Total Estimated Content(End of May) minus Inactive Pool} - 20{,}000) \times 100}{\text{Total Irrigation Space Yield}}$$

(This result is used in steps 5 or 6 below)

3. Compute first shutoff line slope constant (equal to or greater than 60% irrigation space yield):

Use 130,000 release rate at 100% Irrigation Space Yield
Use 90,000 release rate at 60% Irrigation Space Yield

$$\frac{(\text{Irrigation Space Yield}) \times .40 - (130{,}000 - 90{,}000)}{40}$$

Current Constant:

$$\frac{((311{,}104 - 159{,}674 + 20{,}000) \times .40) - (40{,}000)}{40} = 714.3$$

4. Compute second shutoff line slope constant (less than 60%

irrigation space yield):

$$\frac{((\text{Irrigation Space Yield}) \times .60) - 90{,}000}{60}$$

Current Constant:

$$\frac{((311{,}104 - 159{,}674 + 20{,}000) \times .60) - (90{,}000)}{60} = 214.3$$

5. If Step 2 result is equal to or greater than 60.0:

   Shutoff Content equals ((Step 2 result - 60.0) x Step 3 constant) + inactive pool content - 20,000 + (Step 4 constant X 60).

6. If Step 2 result is less than 60.0:

   Shutoff Content = ((Step 2 result -0.0) x Step 4 constant) + inactive pool content - 20,000.

7. Convert computed shutoff content to shutoff elevation. This Plan does not provide for any shutoff elevation lower than El. 1927.0.

For Adjustment using actual May 31 data:

1. Compare the estimated May 31 content with the actual May 31 content.

2. If the actual end of May content is less than the estimated end of May content lower the shutoff content by using this equation:

   Shutoff content = Estimated shutoff content - (Estimated May 31 content - Actual May 31 content).

3. If the actual end of May content is equal to or greater than the estimated end of May content, the estimated shutoff content is established as the annual shutoff content.

4. Convert computed shutoff content to shutoff elevation. This Plan does not provide for any shutoff elevation lower than El. 1927.0.

5. If the shutoff content is below the bottom of the irrigation pool, releases shall be discontinued at the shutoff elevation or whenever 119,000 acre-feet has been released and the reservoir is below the bottom of the irrigation pool, whichever occurs first.

C. The annual shutoff elevation for Lovewell Reservoir is established as El. 1571.7 which is a current content of 24,022 acre-feet.

D. The water supply shall be apportioned between the beneficiaries according to a separate agreement between the District and the Bostwick Irrigation District in Nebraska, subject to approval of the Contracting Officer.

2. The United States reserves the right to make any releases necessary to protect the project facilities and the public in accordance with appropriate safety procedures.

WATER CONSERVATION MEASURES:

The District agrees to:

1. Establish a revolving water conservation fund to be utilized for annual costs associated with the water conservation program activities. The funding shall be provided by an annual assessment on all project lands collected by the District as part of their annual operation and maintenance charge. It is provided that these funds may be fully utilized on an annual basis or accumulated to allow the District to perform water conservation projects that would not otherwise be within the District's financial capability should such projects have to be funded through collections or charges during any one year period. It is specifically provided that these funds may be utilized for Reclamation or other cost-share assistance that may be available to the District for water conservation activities.

2. Continue, when permitted, the practice of seasoning canals with stream flows or flood waters to reduce canal losses and control the growth of vegetation. Diversion of natural flows or flood waters to season canals shall not be initiated without concurrence of the Contracting Officer, and may not be permitted during those times that the resulting flow reduction would impact the storage of water in downstream reservoirs.

3. Continue the established practice of providing assistance to irrigators who upgrade on-farm irrigation facilities by improving turnout locations, installing meters, assisting with buried pipe projects to allow the use of gated pipe or center pivots, and implementation of other new technology.

4. Continue to work with Reclamation on evaluating computer software and other new technology that shall improve water scheduling and accounting.

The District also agrees to: continue and/or improve its existing policies and practices that further the goals of water conservation; provide educational opportunities for District employees, such as canal operations training, water scheduling, water use seminars, etc.; and work with irrigators through educational type demonstrations or projects that measure on-farm efficiencies and crop water requirements in terms of the type of irrigation methods employed by individual irrigators.

The District further agrees to provide for proper accounting for all water deliveries and operational waste within five years of the date of this Plan. Water delivery and operational waste accounting records shall be provided to the United States on or before November 1 of each year. Prior to March 1 of each year, the District and the Contracting Officer's representative shall meet to assess the past year's water supply and delivery records and accounting, and to evaluate the upcoming irrigation season. Through the use of these records and other available data, the Contracting Officer shall assess the delivery efficiency and on-farm efficiency improvements resulting from the District's implementation of water conservation commitments. The improvements shall be measured against pre-Plan water use data. On that basis, it is the general goal of the District to increase the delivery efficiency of the District by 6 percent and on-farm efficiencies by 5 percent. If the "improvements" are not expected to result in the individual or cumulative increase in efficiencies during the first ten year period of this Plan as determined by the Contracting Officer, additional water conservation measures

shall be identified, by mutual agreement of the parties, to be undertaken to ensure the increased efficiency is realized during the succeeding five year period.

Prior to July 1 of each year, the District shall provide the Contracting Officer an annual report of water conservation activities/accomplishments for the prior year, and a statement of water conservation funds collected, expended, and water conservation fund balance as of the end of the prior calendar year.

ENVIRONMENTAL MEASURES:

The District agrees to:

1. Install or create better screening devices to prevent the passage of fish, crayfish, etc., into turnouts and lateral systems.
2. Establish policies to preserve lake levels.

In addition to accepting the changes in operation the District is willing to cooperate with Reclamation, the Bostwick Irrigation District in Nebraska and others in improving fish and wildlife habitat and recreation on Reclamation lands. If requested, the District shall annually furnish 20 man-days of labor at project related fish and wildlife and recreational areas provided the work is coordinated through Reclamation and scheduled during the non-irrigation season at least one month in advance. In lieu of the man-days of labor, the District shall furnish a district-owned machine and operator for 4 days. It is further provided that the District, if requested, may agree to perform more man-days and/or more machine and operator days during one calendar year than the annual commitment, and that any man-days and/or machine and operator days furnished in excess of the annual commitment shall apply as a credit to the succeeding years' commitment(s).

Reclamation is committed to determine the significance of selenium concentration levels for fish and wildlife resources in the Republican River Basin. This commitment by Reclamation shall be implemented through an adaptive management process as outlined in the Record of Decision for the Final Environmental Impact Statement, Long-Term Water Supply Contract Renewals, Republican River Basin, Kansas and Nebraska dated July 22, 2000. The adaptive management process includes, but is not limited to: identification and selection of objectives, implementation and monitoring of response, and assessment of accomplishment that can conclude or refine management actions.

The District agrees to cooperate with the United States in implementation of the adaptive management plan which could include, but is not limited to, maintenance of the outfall drains to allow free flow/discharge of drainage water to the river/stream so as to prevent ponding of drainage effluent, and monitoring the quality of the project drains water quality.

Prior to July 1 of each year, the District shall provide the United States an annual report of environmental activities/accomplishments for the prior year.

THE UNITED STATES OF AMERICA

By_____
Area Manager

Date July 25 - 2000

KANSAS-BOSTWICK IRRIGATION DISTRICT NO. 2

By_____
President

Date 7/7 5 / 2000

ATTEST:

_____
Secretary